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December 12, 2013



Western Area Power Administration  
Upper Great Plains Region  
2900 4th Avenue North, Suite 600  
Billings, MT 59101-1266

Subject: Otter Tail Power Company verbal comments provided on November 20, 2013 to WAPA public comment forum in Sioux Falls, SD.

Dear Sir/Madam:

As requested, Otter Tail Power Company provides, below, the comments that Jason Weiers, Manager-Delivery Planning, verbally provided on behalf of Otter Tail Power Company at the November 20, 2013 public meeting hosted in Sioux Falls, SD by Western Area Power Administration, Upper Great Plains Region related to its recommendation to pursue formal negotiations with the Southwest Power Pool membership.

*Begin Otter Tail Verbal Comments Provided on Nov. 20, 2013:*

Otter Tail Power Company appreciates the opportunity to share the following comments with Western Area Power Administration ("WAPA") representatives.

- Otter Tail Local Balancing Authority Area ("OTP LBA").
  - The OTP LBA is diverse and integrated, spanning over 70,000 square miles across central and eastern North Dakota, western Minnesota, and northeastern South Dakota.
  - The OTP LBA is comprised of multiple load serving entities including WAPA and two Basin Electric Power Cooperative cooperatives – Central Power Electric Cooperative ("Central") and East River Electric Power Cooperative ("East River"). The WAPA, Central, and East River loads comprise approximately 85 MW of the OTP LBA on peak, which equates to approximately 5% of the OTP LBA.
  - Otter Tail has been a transmission owning member of the Midcontinent Independent System Operator, Inc. (MISO) since its inception in 2002.
- Preserving the current reliability, operational, and planning efficiencies without a cost-shift or erosion of existing efficiencies is a paramount concern to Otter Tail because WAPA joining SPP would introduce an RTO-to-RTO seam within the OTP LBA.
- In addition to the diversity of multiple Load Serving Entities within the OTP LBA, there are also multiple transmission owners with integrated transmission systems within the OTP LBA. This integrated system has been developed over several decades and was

designed to capture the cost saving efficiencies of co-development that has long served our rural region well. Specifically, Central and Otter Tail have jointly developed an extensive integrated system within the OTP LBA.

- Based on the non-contiguous ownership of transmission facilities in the OTP LBA, Otter Tail is concerned that WAPA (and Basin's) move to SPP could impose inefficiencies for serving the joint load on our integrated transmission system.
- Otter Tail has 21 control area ties with the WAPA Balancing Area. 12 of the 21 ties are above 100 kV while 9 are at voltages below 100 kV. The 9 ties below 100 kV presently provide operational flexibility for serving the load; flexibility that helps maintain reliable service for all Load Serving Entities throughout the OTP LBA.
  - Otter Tail is concerned that the operational flexibility offered by existing integrated transmission arrangements (specifically with Central) may not be able to continue as it has in the past without added RTO charges. Without this flexibility, the efficiencies that currently benefit the integrated parties are in jeopardy. OTP requests that WAPA provide additional information about impacts to operating a seam in the OTP LBA and how coordination will occur.
  - These seams impacts should be further explored in a transparent manner to determine potential impacts and the magnitude of those impacts. Some examples of seams concerns that Otter Tail requests be analyzed include, but are not limited to:
    - (1) The initial non-market to market seam within the OTP LBA,
    - (2) The future market-to-market seam within the OTP LBA,
    - (3) Operational/reliability considerations,
    - (4) Tariff impacts including transmission rate pancakes, and
    - (5) Transmission planning and cost allocation impacts.
- MISO has provided significant reliability, tariff administration, and energy and ancillary services markets benefit to OTP. Intuitively, Otter Tail expects that WAPA would experience similar benefits from MISO. However, this does not appear to be the case for WAPA based on the published information of its Alternative Operations Study ("AOS") recommendation. Otter Tail requests more transparency and details of the assumptions and supporting analysis that recommends WAPA should join SPP. Such information is necessary to provide OTP reasonable assurance that its customers and LBA customers will not be harmed or adversely impacted by WAPA joining SPP.

In closing, Otter Tail has a long history of coordination on its western seam with WAPA and the Integrated System. When OTP joined MISO and the MISO markets started, settlement agreements were reached between the parties, which ultimately held WAPA/Basin harmless from MISO costs. Consistent with this historic precedent and past relationship, OTP requests reciprocal treatment in order to preserve the current reliability, operational, and planning efficiencies without causing a cost-shift to its customers and LBA customers.

Otter Tail looks forward to WAPA providing further open and transparent analysis to clearly outline all assumptions that have gone into its decision to join SPP and the necessary facts to reinforce that the OTP LBA will be held harmless from any potential adverse impacts from such a decision.

*This concludes the public comments provided on November 20, 2013.*

Otter Tail Power Company  
November 20, 2013 Verbal Comments to WAPA Public Forum re. SPP Membership

Please note that on December 12, 2013, Otter Tail Power Company also submitted to WAPA joint comments written on behalf of both Otter Tail Power Company and Montana-Dakota Utilities.

Otter Tail Power Company appreciates the opportunity to provide these comments and we are hopeful that WAPA will be responsive and seriously evaluate the concerns expressed above in the verbal comments that were provided on November 20 in addition to the joint comments provided by MDU and OTP. We welcome further discussions. Questions and further discussion can be initiated by contacting Jason or JoAnn, as noted below.

Thank you.

**OTTER TAIL POWER COMPANY**

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